Monday, 12/19/2022

Time: 03:00 PM
Recurring:
Event status:
Calendar: Hawaii Green Infrastructure Authority
Title: Board of Directors Meeting
Location: 250 S Hotel Street, #436 and Video Conference
Posted on: 12/12/2022 08:26 AM
Updated on: 12/12/2022 08:26 AM

Hawaii Green Infrastructure Authority

Date:	Monday, 12/19/2022
Start Time:	03:00 PM
Place:	250 S Hotel Street, #436 and Video Conference

AGENDA

HAWAII GREEN INFRASTRUCTURE AUTHORITY
NOTICE OF MEETING
BOARD OF DIRECTORS MEETING

DATE: December 19, 2022
TIME: 3:00 p.m.
PLACE: 250 S Hotel Street, # 436
Honolulu, Hawai'i 96813
And Video Conference
https://us06web.zoom.us/j/89655544240?pwd=Vm9BZGUzSXZuQm1ZTW95MGZCc21OQT09

Call in Number: 1-669-444-9171
Meeting ID: 896 5554 4240
Passcode: 111848
Please note that this Zoom link will not be activated until 2:55 p.m. on December 19, 2022

The public is welcome to participate by attending the meeting virtually or in person and/or by submitting written testimony to HGIA by one of the methods listed below. Testimony will be accepted only for items listed on the agenda. Please check our website for the upcoming meeting at http://gems.hawaii.gov/learn-more/about-us/.

By mail to: Hawaii Green Infrastructure Authority
PO Box 2359, Honolulu, HI 96804
By e-mail to: dbedt.gems@hawaii.gov

The deadline for submitting written testimony is before 12:00 noon on the business day prior to the board meeting.

Should you have any questions or concerns, please call us at (808) 587-3868.

AGENDA

I. CALL TO ORDER/ROLL CALL

II. APPROVAL OF MINUTES

1. Special Meeting – November 21, 2022

III. DISCUSSION AND/OR DECISION MAKING

1. Elect new Vice Chair for the Hawaii Green Infrastructure Authority.
2. Acceptance of the Hawaii Green Infrastructure Authority Audit for the fiscal year ended June 30, 2022.
3. Acceptance of the Hawaii Green infrastructure Bond Fund Audit for the fiscal year ended June 30, 2022.
4. Approval of HGIA's 2022 Report to Legislature.

IV. ADJOURNMENT

Upon distribution to HGIA's board members, HGIA shall make the full board packet available at: http://gems.hawaii.gov/learn-more/about-us/

If any person requires auxiliary aid/service or other accommodation due to a disability, please call Jordan Wong at (808) 587-3868 or email him at dbedt.gems@hawaii.gov as soon as possible, preferably by close of business, three business days prior to meeting date. Please note that requests made as early as possible have a greater likelihood of being fulfilled. If a response is received after 3 business days prior to meeting date, HGIA will try to obtain the auxiliary aid/service or accommodation, but HGIA cannot guarantee that the request will be fulfilled. In some cases, due to the limited number of communication access providers, a requested auxiliary aid/service or accommodation may not be obtained for the event even if a request is made prior to the reply by date.

Upon request, this notice is available in alternate formats such as large print, Braille or electronic copy.

HAWAII GREEN INFRASTRUCTURE AUTHORITY
State of Hawaiʻi

Monday, November 21, 2022 – 3:00 p.m.

Conference Room # 436 and Video Conference

Honolulu, Hawaiʻi 96813

ATTENDANCE

Members Present:	Mike McCartney, Scott Glenn, Dennis Wong
Member Excused:	Richard Wallsgrove, Craig Hirai
Staff Present:	Gwen Yamamoto Lau, Nhu-An Tran, Jordan Wong, Carol Montes
Others Present:	Gregg Kinkley (Deputy Attorney General), John Cole (Deputy Attorney General), Susan Hirai (DBEDT Deputy Director)
Members of the Public:	None

I. ROLL CALL

Vice Chair Glenn called the meeting of the Hawaii Green Infrastructure Authority to order at 3:01 pm. Vice Chair Glenn called a proper roll call of all members.

Chairperson McCartney	Present
Vice Chair Glenn	Present
Secretary Wallsgrove	Excused
Member Hirai	Excused
Member Wong	Present

Chair McCartney stated that Susan Hirai was present as a guest. All other members confirmed that no other adults were present in the room with them.

MATERIALS DISTRIBUTED

1. Agenda for the November 21, 2022 Meeting.
2. Minutes from the October 31, 2022 Meeting.
3. Re-allocation of GEM$ Loan Funds Document.

II. APPROVAL OF MINUTES

1. Vice Chair Glenn stated that the first item on the agenda is the approval of the minutes of the October 31, 2022 regular meeting.

   Member Wong moved and Chair McCartney seconded the motion to approve the October 31, 2022 regular meeting minutes. Vice Chair Glenn asked members if there was any discussion on the meeting minutes. Hearing none, Vice Chair Glenn stated there are no members from the public present. Should a member of the public join the meeting, he will acknowledge them at that time. Vice Chair Glenn called for the vote via roll call.

   Ayes: McCartney, Wong, Glenn (with reservation, as he did not attend the October 31, 2022 meeting).
   Nays: None.

   The motion carried unanimously, 3 to 0.

III. DISCUSSION AND/OR DECISION MAKING

1. Vice Chair Glenn stated that the next item on the agenda is the approval to re-allocate of funds available under the Nonprofit category to the Small Business and Low and Moderate-Income household categories. Vice Chair Glenn stated Yamamoto Lau will be providing background information.

   Yamamoto Lau shared the following points:

   - A Permitted Interaction Group established in 2019 to investigate and make recommendations regarding the GEM$ loan funds remaining at that time, concluded that funds should be allocated for underserved ratepayers consisting of Low- and Moderate-Income (LMI) Homeowners and renters, small businesses, multi-family rental projects, and nonprofits.
   - During the October 2021 meeting, the authority approved a $7.5 million set aside for the Molokai Community Solar Project and carved out said amount from the $33.8 million remaining at that time.
   - As of September 30th, 2022, there was almost $11.0 million available under the non-profit category, but only $1.9 million and $2.6 million in the small business and LMI household categories.
   - Due to an upcoming Solarize808 campaign and other LMI focused initiatives, we are recommending $8.5 million in the non-profit category be re-allocated to the Small Business and LMI Household categories of $1.5 million and $7.0 million, respectively.

Yamamoto Lau addressed questions from the Board. Vice Chair Glenn asked for motion to approve the reallocation of $8.5 million in the non-profit category to the Small Business and LMI Household categories of $1.5 million and $7.0 million respectively.

Chair McCartney moved and Member Wong seconded the motion. Vice Chair Glenn asked if there were comments or discussion from members. Hearing none, Vice Chair Glenn called for the vote via roll call.

Ayes: McCartney, Wong, Glenn.
Nays: None.

The Motion carried unanimously, 3 to 0.

2. Vice Chair Glenn stated the final item on the agenda is for the board to discuss an employment agreement for the Executive Director and asked for a motion to convene into Executive Session pursuant to Section 92-5(a)(2), HRS where a board may hold a meeting closed to the public to consider the evaluation of an employee where matters affecting privacy will be involved, as well as Section 92-5(a)(4) to consult with the board's attorney on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities.

   Chair McCartney moved and Member Wong seconded. Vice Chair asked if there was any discussion on this motion. Hearing none, Vice chair called the vote via roll call.

   Ayes: McCartney, Wong, Glenn
   Nays: None

   The motion carried unanimously, 3 to 0.

   Vice Chair Glenn asked for all, Gwen Yamamoto Lau and Deputy Attorney Gregg Kinkley to be moved to another zoom. The meeting entered Executive Session at 3:13 p.m.

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Executive Session

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The meeting reconvened at 3:37 p.m.

Based on the discussions held during the Executive Session, Vice Chair Glenn asked for a motion to approve a form of an Employment Agreement, subject to final legal review and agreement between HGIA's Chair and Executive Director. Chair McCartney moved and Member Wong seconded the motion.

Vice Chair Glenn asked if there was any discussion. Chair McCartney stated that over the past three years, although HGIA's Executive Director did an outstanding job, she did not receive any salary increases. As such, similar to other Executive Director positions in the state, the Authority felt it important to incorporate future salary adjustments at the same time and rate as the amount contained in the collective bargaining agreement for Bargaining Unit 13 of the Hawaii Government Employees Association.

Vice Chair Glenn asked if there were any other comments or discussion from the members. Hearing none, he called the vote via roll call.

Ayes: McCartney, Wong, Glenn.
Nays: None.

The Motion carried unanimously, 3 to 0.

VI. ADJOURNMENT

Vice Chair Glenn asked if there are any other matters that should be brought up at this time. Hearing none he asked for a motion to adjourn.

Chair McCartney moved, and Member Wong seconded the motion. Vice Chair Glenn adjourned the meeting by acclamation at 3:41 p.m.

Respectfully Submitted

By: ___________________________
Richard Wallsgrove
Its: Secretary

HAWAII GREEN INFRASTRUCTURE AUTHORITY

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

Fiscal Year Ended June 30, 2022

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

999 BISHOP STREET, SUITE 2200 | HONOLULU, HAWAII 96813
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HAWAII GREEN INFRASTRUCTURE AUTHORITY

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HAWAII GREEN INFRASTRUCTURE AUTHORITY

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PART I

FINANCIAL SECTION

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

999 BISHOP STREET, SUITE 2200
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hawaii Green Infrastructure Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the special revenue fund of the Hawaii Green Infrastructure Authority (HGIA), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise HGIA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of HGIA, as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the special revenue fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HGIA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note A, the financial statements of HGIA, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the special revenue fund of the State of Hawaii and the State of Hawaii, Department of Business and Economic Development and Tourism that is attributable to the transactions of HGIA. They do not purport to, and do not, present fairly the financial position of the State of Hawaii or the State of Hawaii, Department of

Economic Development and Tourism as of June 30, 2022, or the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HGIA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November XX, 2022 on our consideration of HGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HGIA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HGIA's internal control over financial reporting and compliance.

Honolulu, Hawaii
November XX, 2022

The following management's discussion and analysis provides an overview of the Hawaii Green Infrastructure Authority (HGIA) financial activities for the fiscal year ended June 30, 2022. Readers should also review the basic financial statements and the related notes to the financial statements to enhance their understanding of HGIA's financial performance.

Financial Highlights

The key government-wide financial highlights for the fiscal year ended June 30, 2022 are as follows:

- Exclusive of the Hawaii Public Utilities Commission (PUC) Order No. 34930 repayment expenditures of $4.0 million, expenses exceeded revenues by $1,500, a decrease of $205,000 or almost 99% from the previous year's excess of $204,000 for the fiscal year ended June 30, 2021. This significant decrease is due to the extremely low interest rate environment caused by the COVID-19 pandemic, where investment income decreased to an investment loss by approximately $1.0 million or 121%.

- PUC Order No. 34930 dated October 26, 2017, *Amending Decision and Order No. 32318 By Changing the Priority of Uses of GEMS Program Loan Repayments*, requires HGIA, on an annual basis, to transfer all GEMS program loan repayments collected to the PUC. Loan repayments collected during the 2022 fiscal year aggregating $4.0 million, is reflected as a liability on the balance sheet, and results in a change in net position of $(4,041,326).

- As a result, total net position at June 30, 2022 decreased to $139.9 million.

Overview of the Basic Financial Statements

The basic financial statements are comprised of (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements.

- Government-wide financial statements provide both long-term and short-term information about HGIA's overall financial position and changes in financial position. The statements are presented on an accrual basis of accounting and consist of the statement of net position and statement of activities.

- Fund financial statements focus on individual parts of HGIA and report operations in more detail than the government-wide statements. These statements are presented on a modified accrual basis of accounting and tell how activities were financed in the short-term as well as what remains for future spending.

- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-wide Financial Analysis

The following discussion highlights management's understanding of the key aspects of HGIA's financial activities.

In November 2014, HGIA received net bond proceeds of $146,323,248 from the $150.0 million Green Energy Market Securitization (GEMS) Bonds, 2014 Series A bonds issued by the Department of Business, Economic Development and Tourism (DBEDT), to provide funding for HGIA's GEMS loan program.

The following table was derived from the government-wide statements of net position:

Exhibit A-1
Condensed Statements of Net Position
June 30, 2022

	Governmental Activities		2022 - 2021	
	2022	**2021**	Increase	Percentage change
Assets:				
Noncapital assets	$ 144,112,138	$ 147,621,640	$ (3,509,502)	(2.38) %
Total assets	$ 144,112,138	$ 147,621,640	$ (3,509,502)	(2.38) %
Liabilities:				
Current	$ 4,154,430	$ 3,644,385	$ 510,045	14.00 %
Noncurrent	46,360	24,581	21,779	88.60 %
Total liabilities	4,200,790	3,668,966	531,824	14.50 %
Net position:				
Restricted for Hawaii green infrastructure	139,911,348	143,952,674	(4,041,326)	(2.81) %
Total net position	139,911,348	143,952,674	(4,041,326)	(2.81) %
Total liabilities and net position	$ 144,112,138	$ 147,621,640	$ (3,509,502)	(2.38) %

Analysis of Net Position

Total assets of $144.1 million decreased by approximately $3.5 million during the fiscal year ended June 30, 2022 and consisted primarily of cash and cash equivalents of $47.5 million, down $5.50 million from the previous year; investments of $30.2 million, down $1.0 million from the previous year; and loan receivables of $66.2 million, up $3.0 million from the previous year. Due to the historic low interest rate, funds were moved from the investment account into the FedFund Cash account to minimize fees as the investment fees outpaced the investment income earned.

Total liabilities of $4.2 million increased by approximately $532,000 during the fiscal year ended June 30, 2022 and consisted primarily of principal and interest loan repayments due to the PUC of $4.0 million per Order No. 34930, as described in the financial highlights section on page 8.

Additionally, as also described in the financial highlights section, Total net position of $139.9 million decreased by approximately $4.0 million due to the $4.0 million transfer to the PUC.

Change in Net Position

The following financial information was derived from the government-wide statements of activities and reflects how HGIA's net position changed during the fiscal years ended June 30, 2022 and 2021:

Exhibit A-2
Condensed Statements of Activities
Fiscal Years Ended June 30,

	Governmental Activities		2022 - 2021	
	2022	2021	Increase	Percentage change
Revenues				
Program revenues				
Charges for services	$ 1,758,760	$ 1,320,686	$ 438,074	33.17 %
Operating grants and contributions				
Investment (losses) income	(946,285)	72,203	(1,018,488)	(1,410.59) %
Total	812,475	1,392,889	(580,414)	(41.67) %
Expenses				
Hawaii green infrastructure	4,853,801	4,720,581	133,220	2.82 %
Change in net position	$ (4,041,326)	$ (3,327,692)	$ (713,634)	21.45 %

Analysis of Change in Net Position

Program revenues of $1.7 million, which increased by approximately $438,000 during the fiscal year consisted primarily of loan interest earned of $1.7 million and other program revenue of $45,000.

Investment losses of $946,000, which increased by $1.0 million during the fiscal year, consisted of interest and dividend income, realized gains and losses on sales of investments, and changes in the fair value of investments. The impact Covid-19 has had on the financial markets has resulted in significant decreases in interest rates and yields on deposits.

Total expenses of $4.8 million consisted of loan repayments payable to the PUC of $4.0 million, personnel related expenses of $507,000, and program expenses of $296,000. Additionally, due to the one-month lag in the State payroll system, total expenses also included about some $35,000 in accrued salaries and wages.

Fund Financial Analysis

HGIA has only one fund, the special revenue fund.

Expenditures totaled approximately $4.8 million, for both fiscal years ended June 30, 2022 and 2021.

As of the fiscal years ended June 30, 2022 and 2021, fund balance amounted to approximately $139.9 million and $143.9 million, respectively.

Budgetary Highlights

Actual expenditures on a budgetary basis were approximately $518,000 for the fiscal year ended June 30, 2022, resulting in a variance between the final budget and actual expenditures on a budgetary basis of approximately $645,000.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Hawaii Green Infrastructure Authority, 250 South Hotel Street, Honolulu, Hawaii 96813. General information about HGIA can be found at the website, gems.hawaii.gov.

Hawaii Green Infrastructure Authority
STATEMENT OF NET POSITION
June 30, 2022

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	47,524,780
Investments		30,221,788
Accrued interest and other		125,808
Loan receivables		66,239,762
Total assets	$	144,112,138
LIABILITIES AND NET POSITION		
Due to PUC	$	4,039,847
Vouchers and contracts payable		8,812
Accrued wages and employee benefits payable		35,054
Unearned revenue and other		68,370
Accrued compensated absences		48,707
Total liabilities		4,200,790
Net position		
Restricted for Hawaii green infrastructure		139,911,348
Total net position		139,911,348
Total liabilities and net position	$	144,112,138

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2022

GOVERNMENTAL ACTIVITIES		
Expenses	$	4,853,801
Program revenues - charges for services		1,758,760
Net (expenses) revenues		(3,095,041)
OPERATING GRANTS AND CONTRIBUTIONS		
Investment losses		(946,285)
CHANGE IN NET POSITION		(4,041,326)
NET POSITION AT JULY 1, 2021		143,952,674
NET POSITION AT JUNE 30, 2022	$	139,911,348

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2022

		Special Revenue Fund
ASSETS		
Cash and cash equivalents	$	47,524,780
Investments		30,221,788
Loan receivables		66,239,762
Accrued interest and other		125,808
Total assets	$	144,112,138
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to PUC	$	4,039,847
Vouchers and contracts payable		8,812
Accrued wages and employee benefits payable		35,054
Unearned revenue and other		68,370
Total liabilities		4,152,083
Fund balance		
Restricted for Hawaii green infrastructure		139,960,055
Total fund balance		139,960,055
Total liabilities and fund balance	$	144,112,138

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
Fiscal Year Ended June 30, 2022

Fund balance - governmental fund	$	139,960,055
Amounts reported for governmental activities in the statement of net position are different because:		
Accrued compensated absences are not due in the current period and therefore are not reported in the governmental fund		(48,707)
Net position of governmental activities	$	139,911,348

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
Fiscal Year Ended June 30, 2022

		Special Revenue Fund
REVENUES		
Interest income from loan program	$	1,714,146
Investment losses		(946,285)
Other revenue		44,614
		812,475
EXPENDITURES		
Hawaii green infrastructure		4,839,469
		4,839,469
EXCESS OF EXPENDITURES OVER REVENUES		(4,026,994)
NET CHANGE IN FUND BALANCE		(4,026,994)
FUND BALANCE AT JULY 1, 2021		143,987,049
FUND BALANCE AT JUNE 30, 2022	$	139,960,055

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
RECONCILIATION OF THE GOVERNMENTAL FUND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2022

Net change in fund balance - total governmental fund	$	(4,026,994)
Amounts reported for governmental activities in the statement of activities are different because:		
Change in compensated absences reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds		(14,332)
Change in net position of governmental activities	$	(4,041,326)

See accompanying notes to the financial statements.

Hawaii Green Infrastructure Authority
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND
Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual on Budgetary Basis	Variance Favorable
	Original	Final		
Revenues - interest income	$ 5,000	$ 2,500	$ 6,397	$ 3,897
Expenditures - Hawaii green infrastructure	1,163,302	1,163,302	517,818	645,484
Deficiency of revenues below expenditures	$ (1,158,302)	$ (1,160,802)	$ (511,421)	$ 649,381

See accompanying notes to the financial statements.

NOTE A - FINANCIAL REPORTING ENTITY

The Hawaii Green Infrastructure Authority (HGIA) was created by Act 211, Session Laws of Hawaii 2013 to identify and provide innovative ways to increase access to clean energy in the State of Hawaii.

HGIA is part of the executive branch of the State of Hawaii (the State). HGIA is administratively attached to the Department of Business, Economic Development and Tourism of the State of Hawaii (DBEDT). HGIA's basic financial statements are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the special revenue fund of the State and DBEDT that are attributable to the transactions of HGIA. They do not purport to, and do not, present fairly the financial position of the State or the DBEDT as of June 30, 2022 or the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes comprehensive financial statements for the State annually, which include HGIA's financial activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of HGIA have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used in the preparation of such financial statements:

(1) ***Basis of Accounting and Measurement Focus***

Government-Wide Financial Statements - The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Program revenues include interest and fees charged to the borrowers of the Hawaii Green Infrastructure Loan Program.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in fund balance.

The modified accrual basis of accounting is used by the governmental fund. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at year-end).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurable means that the amount of the transaction can be determined. Available means that the amount is collected in the current fiscal year or soon enough after year-end to liquidate liabilities existing at the end of the fiscal year.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Encumbrance accounting is employed in the governmental fund. Under this method, purchase orders, contracts, and other commitments outstanding at year-end do not constitute expenditures or liabilities.

(2) ***Fund Accounting*** - The financial transactions of HGIA are recorded in a fund. A fund is considered a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

HGIA has only one fund, the special revenue fund. The special revenue fund accounts for the Hawaii Green Infrastructure Loan Program. Receipts may include loan repayments and interest earned on program loans made and investments of unused funds. Initial funding is from proceeds of bonds issued by DBEDT.

(3) ***Cash and Cash Equivalents*** - Cash and cash equivalents consist of amounts held in the State Treasury, and in bank accounts held separately from the State Treasury. Cash in the State Treasury is pooled with funds from other State agencies and departments and deposited into approved financial institutions or participates in the State Treasury Investment Pool.

Cash accounts that participate in the investment pool accrue interest based on the weighted average cash balances of each account.

(4) ***Investments*** - HGIA generally invests in money market mutual funds and government agency securities with federally insured financial institutions. Investments are reported at fair value.

(5) ***Compensated Absences*** - Vacation leave is accrued at current salary rates. Vacation leave accumulates at the rate of one and three-quarters working days for each month of service up to a limit of ninety days at calendar year-end and is convertible to cash payment upon termination of employment. Accrued compensated absences is reported in the statement of net position.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) ***Fund Balance*** - Fund balance is classified using a hierarchy based on the extent to which HGIA is bound to follow constraints on how resources can be spent. Classifications include:

Nonspendable - Includes amounts that are (a) not in a spendable form or (b) legally or contractually required to remain intact.

Restricted - Includes amounts restricted to a specific purpose imposed by either (a) external parties (e.g. creditors, grantors, contributors or other governments) or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes based on constraints imposed by formal action of the State Legislature.

Assigned - Includes amounts that are constrained by the Authority's board for specific purposes, but are neither restricted nor committed.

Unassigned - Includes any negative residual balance when actual expenditures exceed available resources of the fund.

HGIA has only a restricted fund balance.

(7) ***Use of Estimates*** - The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - BUDGETING AND BUDGETARY CONTROL

In the statement of revenues and expenditures - budget and actual (non-GAAP budgetary basis) - special revenue fund, the amounts reflected as budgeted expenditures are derived from acts of the State Legislature and from other authorizations contained in specific appropriation acts in various Session Laws of Hawaii.

The amount reflected as actual expenditures has been adjusted to the budgetary basis by the inclusion of encumbrances that results in comparability with budgeted expenditures.

NOTE C - BUDGETING AND BUDGETARY CONTROL (Continued)

A reconciliation of the deficiency of revenues over expenditures as shown on the statement of revenues and expenditures - budget and actual (non-GAAP budgetary basis) - special revenue fund to the excess of revenues over expenditures as shown on the statement of revenues, expenditures, and changes in fund balance (GAAP basis) is presented below:

	Amount
Deficiency of revenues below expenditures - actual on a budgetary basis	$ (511,421)
Reserve for encumbrances at year end	324,185
Expenditures for liquidation of prior fiscal year encumbrances	(324,386)
Revenues and expenditures for unbudgeted programs, net	(3,516,051)
Net accrued expenditures	679
Deficiency of revenues below expenditures - GAAP basis	$ (4,026,994)

NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS

(1) *Cash and Cash Equivalents*

HGIA's cash balance is maintained in the State Treasury and in bank accounts held separately from cash in the State Treasury. The State Director of Finance (the Director) is responsible for the safekeeping of all moneys paid into the State Treasury. The Director pools and invests any moneys of the State, which in the Director's judgment, are in excess of amounts necessary for meeting the immediate requirements of the State.

For demand or checking accounts and time certificates of deposits, the State requires that the depository banks pledge collateral based on daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under collateralized at times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State.

Information relating to custodial credit risk of cash deposits in the State Treasury is available on a statewide basis and not for individual departments or agencies.

The cash balances in banks which are held separately from cash in State Treasury is insured by the Federal Deposit Insurance Corporation (FDIC). The bank balance of cash held outside of the State Treasury totaled approximately $45,895,000 as of June 30, 2022.

NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

(2) *Investments*

Information relating to interest rate risk, credit risk, custodial risk, and concentration of credit risk of investments in the State Treasury is available on a statewide basis and not for individual departments or agencies.

For investments held outside of the State Treasury, HGIA does not have an investment policy related to interest rate risk and credit risk.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the State's investment policy generally limits maturities on investments to not more than five years from the date of investment.

As of June 30, 2022, HGIA had the following investments:

		Maturity (in years)	
	Fair Value	Less than 1	1-5
U.S. government agencies	$ 12,706,293	$ 4,042,185	$ 8,664,108
U.S. treasury obligations	15,030,283	5,680,389	9,349,894
	27,736,576	$ 9,722,574	$ 18,014,002
Money market mutual funds	2,485,212		
Total	$ 30,221,788		

Credit Risk - The State's investment policy limits investments in State and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating.

All investments held outside the State Treasury is rated AAAm by Standard & Poor's as of June 30, 2022.

Custodial Credit Risk - For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The State's investments are held at broker/dealer firms, which are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. In addition, excess-SIPC coverage is provided by the firms' insurance policies. In addition, the State requires the institutions to set aside in safekeeping, certain types of securities to collateralized repurchase agreements. The State monitors the market value of these securities and obtains additional collateral when appropriate.

Concentration of Credit Risk - The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

NOTE E - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for most of the full term of the asset or liability. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets,
- Quoted prices for identical or similar assets or liabilities in markets that are not active,
- Inputs other than quoted prices that are observable for the asset or liability,
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are unobservable for an asset or liability.

Following is a description of the valuation techniques used by HGIA to measure fair value:

U.S. treasury obligations: Valued using quoted prices in active markets for identical assets.

U.S. government agency obligations: Valued using quoted prices for identical or similar assets in markets that are not active.

Money market mutual funds: Investments in money market mutual funds are valued at the net asset value (NAV) of the custodian bank liquid asset portfolio. NAV is based on the fair value of the underlying assets held by the fund less its liabilities.

	Assets at Fair Value at June 30, 2022			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. government agencies	$ 12,706,293	$ --	$ 12,706,293	$ --
U.S. treasury obligations	15,030,283	15,030,283	--	--
	27,736,576	$ 15,030,283	$ 12,706,293	$ --
Investments measured at net asset value				
Money market mutual funds (NAV)	2,485,212			
	$ 30,221,788			

Money market mutual fund: The BlackRock FedFund (Institutional Shares) is a money market fund that seeks current income as is consistent with liquidity and stability of principal by investing in high quality money market investments.

NOTE F - LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2022 are as follows:

	Accrued Compensated Absences
Balance at June 30, 2021	$ 34,375
Additions	26,250
Deductions	(11,918)
Balance at June 30, 2022	48,707
Less: current portion	2,347
Noncurrent portion	$ 46,360

NOTE G - REVENUE BONDS

In November 2014, the State of Hawaii, Department of Business, Economic Development and Tourism issued $150 million in Green Energy Market Securitization Bonds, 2014 Series A (Bonds).

The State used the proceeds of the bonds, net of costs of issuance and the funding of a debt service reserve subaccount, to fund the Hawaii Green Infrastructure Loan Program (Loan Program), which is administered by HGIA. The Loan Program serves the environmentally beneficial purpose of financing the purchase and installation of clean or renewable energy systems and energy efficiency projects for Hawaii ratepayers. None of the net proceeds of the Bonds used to fund the Loan Program, the loans, the repayments thereon, or the other assets of the Loan Program will serve as security for the Bonds.

The Bonds are special and limited obligations of the State payable from and secured by a pledge of Green Infrastructure Fee revenues and the Green Infrastructure Property and Accounts held under the Indenture. Green Infrastructure Property consists generally of the right to impose and collect, and to obtain periodic true-up adjustments to a non-bypassable fee on all electric customers of Hawaiian Electric Company, Inc., Hawaii Electric Light Company Inc., and Maui Electric Company, Limited, collectively the Service Providers (the Green Infrastructure Fee).

The Bonds do not constitute general or moral obligation of the State or a charge upon the general fund of the State and the full faith and credit of the State is not pledged to payment of principal or interest on the Bonds. No portion of the bonds is an obligation of HGIA and therefore no bond obligations are recognized by HGIA.

The Public Benefits Fee is all or a portion of the moneys collected by Hawaii's electric utilities from its ratepayers through a demand-side management surcharge that is transferred by order or rule from the public utilities commission to a third-party administrator

NOTE G - REVENUE BONDS (Continued)

contracted by the public utilities commission. The public benefits fee shall be used to support clean energy technology, demand response technology, and energy use reduction, and demand-side management infrastructure, programs, and services, subject to the review and approval of the public utilities commission.

By order of the Public Utilities Commission, any loan repayments received by HGIA are paid annually to replenish the Public Benefits Fee. Such payments are done following the allocation and payment, transfer, or other segregation of amounts in the Green Infrastructure Special Fund for the purpose of paying GEMS Program-related administrative and or financing costs until October 26, 2017, when all loan repayments received by HGIA are paid annually to replenish the Public Benefits Fee before payment of GEMS administrative costs.

NOTE H - RETIREMENT PLAN

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the State Employees' Retirement System (ERS), a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at ERS' website: https://ers.ehawaii.gov.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

NOTE H - RETIREMENT PLAN (Continued)

The following summarizes the provisions relevant to the general employees of the respective membership class.

Noncontributory Class

Retirement Benefits:
General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits:
Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

Death Benefits:
For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired prior to July 1, 2012

Retirement Benefits:
General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

NOTE H - RETIREMENT PLAN (Continued)

Disability Benefits:
Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

Death Benefits:
For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump-sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

Retirement Benefits:
General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

Disability and Death Benefits:
Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

NOTE H - RETIREMENT PLAN (Continued)

Hybrid Class for Members Hired Prior to July 1, 2012

Retirement Benefits:
General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits:
Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

Death Benefits:
For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

Retirement Benefits:
General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.

NOTE H - RETIREMENT PLAN (Continued)

Disability and Death Benefits:
Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2022 was 24.00%. HGIA's contribution requirement as of June 30, 2022 was approximately $75,300 and was paid entirely during the fiscal year ended June 30, 2022.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Measurement of the actuarial valuation is made for the ERS as a whole and is not separately computed for each participating employer. It is the State's policy to recognize the proportionate share of the pension liability, pension expense, deferred inflows related to pensions, and deferred outflows related to pension for only component units and proprietary funds that are reported separately in the State's Annual Comprehensive Financial Report (ACFR). Therefore, the share of the pension liability, pension expense, deferred inflows related to pensions, and deferred outflows related to pension for HGIA are not included in the financial statements. The State's ACFR includes the note disclosures and required supplementary information on the State's pension plans.

NOTE I - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the Employer-Union Health Benefits Trust Fund (EUTF), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to

NOTE I - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues an annual financial report that is available to the public. The report may be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

The State is required to contribute the annual required contribution (ARC) of the employer, an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Measurement of the actuarial valuation and the ARC are made for the State as a whole and are not separately computed for the individual state departments and agencies such as HGIA. The State has only computed the allocation of the other postemployment benefit (OPEB) costs to component units and proprietary funds that are reported separately in the State's ACFR. Therefore, the OPEB costs for HGIA was not available and are not included in the financial statements. The State's ACFR includes the note disclosures and required supplementary information on the State's OPEB plans.

HGIA's contributions made to the plan were approximately $34,700 for the fiscal year ended June 30, 2022.

NOTE J - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investments of funds and assets in the plan, but has the duty of due care that would be required of an ordinary prudent investor.

NOTE K - COMMITMENTS AND CONTINGENCIES

Encumbrances

Encumbrances totaled approximately $324,000 as of June 30, 2022.

Accumulated Sick Leave

Employees earn sick leave at the rate of 14 hours for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a permanent employee of HGIA who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave as of June 30, 2022 approximated $91,000.

Program Loans

Commitments to fund program loans totaled approximately $64.4 million as of June 30, 2022.

NOTE L - RISK MANAGEMENT

Insurance Coverage

Insurance coverage is maintained at the State level. The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks is as follows:

NOTE L - RISK MANAGEMENT (Continued)

Property Insurance

The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3% of building/asset loss subject to a $1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler and machinery coverage. The limit of loss per occurrence is $200,000,000, except for the terrorism policy, which is $105,000,000 per occurrence and a $1,000,000 deductible.

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence, except for claims expense coverage, which has a $100,000 limit per occurrence and a $1,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services and losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

General Liability (Including Torts)

Liability claims up to $25,000 and automobile claims up to $25,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, insurance policy in force with a $7,500,000 self-insured retention per occurrence. The annual aggregate per occurrence limit is $7,500,000.

Losses under the deductible amount or over the limit may be paid from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit of $50,000,000 with a deductible of $1,000,000 per claim. This policy includes (with sub-limits) system failure business interruption, dependent business interruption, dependent business interruption system failure, and Payment Card Industry - Date Security Standard coverage.

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to $25,000 are administered by the Risk Management Office. The State administers its workers' compensation losses.

HGIA is covered by the State's self-insured workers' compensation program for medical expenses of its insured employees. However, temporary wage loss replacement benefits are paid to those employees by HGIA. There were no benefits paid by HGIA for the fiscal year ended June 30, 2022.

PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Hawaii Green Infrastructure Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and the special revenue fund of the Hawaii Green Infrastructure Authority (HGIA), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise HGIA's basic financial statements, and have issued our report thereon dated December XX, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HGIA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HGIA's internal control. Accordingly, we do not express an opinion on the effectiveness of HGIA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HGIA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Honolulu, Hawaii
November XX, 2022

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII GREEN INFRASTRUCTURE BOND FUND

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

Fiscal Year Ended June 30, 2022

N&K CPAs, Inc.
ACCOUNTANTS|CONSULTANTS

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STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII GREEN INFRASTRUCTURE BOND FUND

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PART I

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Director of the
Department of Business, Economic Development and Tourism
State of Hawaii

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the State of Hawaii, Department of Business, Economic Development and Tourism, Hawaii Green Infrastructure Bond Fund (Bond Fund), which comprise the balance sheet - governmental fund as of June 30, 2022, and the related statement of revenues, expenditures, and changes in fund balance - governmental fund for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Bond Fund, as of June 30, 2022, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bond Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note A, the financial statements of the Bond Fund are intended to present the financial position and changes in financial position of only that portion of the governmental fund type of the State of Hawaii (State) and the State of Hawaii, Department of Business, Economic Development and Tourism (DBEDT) that are attributable to the transactions of the Bond Fund. They do not purport to, and do not, present fairly the financial position of the State or DBEDT, as of June 30, 2022, or the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 - 10 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Bond Fund. The accompanying schedule of cash receipts and cash disbursements and the schedule of reserve account balances are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying schedule of cash receipts and cash disbursements and the schedule of reserve account balances are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated XX, 2022 on our consideration of the Bond Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Fund's internal control over financial reporting and compliance.

Honolulu, Hawaii
XX, 2022

The following is management's discussion and analysis of the financial activities and performance of the State of Hawaii, Hawaii Green Infrastructure Bond Fund (Bond Fund) during the fiscal year ended June 30, 2022. Please read it in conjunction with the Bond Fund's financial statements including the related notes to the financial statements.

Financial Highlights

The key fund financial highlights for the fiscal year ended June 30, 2022 are as follows:

- Green infrastructure fee revenue for the fiscal year was approximately $13,357,000. This is a 0.5% or $67,000 increase from approximately $13,290,000 for the fiscal year ended June 30, 2021.
- Investments as of June 30, 2022 comprised 91% of the total assets amounting to approximately $8,769,000, as well as 91% of the total assets amounting to approximately $8,658,000 as of June 30, 2021.
- The Bond Fund's liabilities reported in the balance sheet - governmental fund as of June 30, 2022 was approximately $6,729,000, a decrease of approximately ($72,000) or (1.06%) from approximately $6,801,000 as of June 30, 2021.

Overview of the Governmental Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The financial statements of the Bond Fund, a governmental debt service fund type, consist of (1) the balance sheet - governmental fund, (2) the statement of revenues, expenditures, and changes in fund balance - governmental fund and (3) the accompanying notes to the financial statements. This report also contains other supplementary information in addition to the financial statements.

- The balance sheet - governmental fund provides information about the Bond Fund's current financial resources at the end of the fiscal year.
- The statement of revenues, expenditures, and changes in fund balance - governmental fund presents information about the inflows, outflows, and balances of current financial resources over the fiscal year. For the debt service fund, payments of bond principal and bond interest are recognized as expenditures when due within several days after the balance sheet date. The payment dates for the Bond Fund are July 1 and January 1 of each year.

  The Bond Fund's financial statements are presented on a modified accrual basis of accounting and tell how activities were financed in the short-term as well as what remains for future spending.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As of June 30, 2022 and 2021, total assets exceeded liabilities and deferred inflows of resources resulting in a fund balance of approximately $2,080,000 and $2,042,000, respectively. A positive fund balance indicates that enough green infrastructure fees have been collected to ensure payment of the debt service on the payment date.

The Bond Fund continues to operate as required by the bond documents. More detailed information about the Bond Fund's long-term debt is presented in Note E to the financial statements.

The Bond Fund's assets, liabilities, deferred inflows of resources, and fund balance at June 30, 2022 and 2021 are summarized below:

Exhibit A-1
Condensed Balance Sheets - Governmental Fund
June 30,

			2022 - 2021	
	2022	**2021**	Increase (decrease)	Percentage change
Assets:				
Noncapital assets	$ 9,601,516	$ 9,537,243	$ 64,273	0.67%
Total assets	$ 9,601,516	$ 9,537,243	$ 64,273	0.67%
Liabilities:				
Current	$ 6,728,704	$ 6,800,648	$ (71,944)	-1.07%
Total liabilities	6,728,704	6,800,648	(71,944)	-1.07%
Deferred inflows of resources	793,167	694,734	98,433	
Fund balance:				
Restricted for Hawaii green infrastructure bond	2,079,645	2,041,861	37,784	1.82%
Total fund balance	2,079,645	2,041,861	37,784	1.82%
Total liabilities, deferred inflows of resources, and fund balances	$ 9,601,516	$ 9,537,243	$ 64,273	0.67%

Analysis of Fund Balance

Total assets of approximately $9,602,000 increased by approximately $64,000 during the fiscal year ended June 30, 2022 due to a $46,000 decrease in Service Provider receivable, offset by a $110,000 increase of the cash and cash equivalents.

Total liabilities of approximately $6,729,000 decreased by approximately $72,000 during the fiscal year ended June 30, 2022 and consisted primarily of the green infrastructure fee remittance excess payable of $40,000, down by $144,000 from the previous year, offset by a $72,000 increase in accrued liabilities.

Fund balance as of June 30, 2022 of approximately $2,080,000 increased by approximately $38,000 due to the excess of revenues over expenditures during the fiscal year.

Change in Fund Balance

Exhibit A-2

Condensed Statements of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund

Fiscal Years Ended June 30,

	2022	2021	2022 - 2021 Increase (decrease)	2022 - 2021 Percentage change
Revenues				
Green infrastructure fees	$ 13,357,029	$ 13,289,585	$ 67,444	0.50%
Investment income	4,418	1,089	3,329	75.35%
Total	13,361,447	13,290,674	70,773	0.53%
Expenditures				
Hawaii green infrastructure bond	13,323,663	13,297,392	26,271	0.20%
Net change in fund balance	$ 37,784	$ (6,718)	$ 44,502	117.78%

Analysis of Change in Fund Balance

Green infrastructure fees were approximately $13,357,000, which increased by approximately $67,000 during the fiscal year.

Investment income of approximately $4,400, which increased by approximately $3,300, consisted primarily of interest income earned from the Bond Fund's cash and cash equivalents.

Total expenditures of approximately $13,324,000 consisted primarily of debt service payments of approximately $13,209,000.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of the Department of Business, Economic Development and Tourism, State of Hawaii, 250 South Hotel Street, Honolulu, Hawaii 96813.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2022

ASSETS

Investments		
General subaccount	$	7,976,872
Debt service reserve subaccount		750,555
Surplus subaccount		41,227
		8,768,654
Green infrastructure fee receivables		832,862
Total assets	$	9,601,516

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

Liabilities		
Accrued liabilities	$	84,277
Current maturities of debt		5,273,352
Current interest due on debt		1,331,381
Green infrastructure fee remittance excess payable		39,694
Total liabilities		6,728,704
Deferred inflows of resources		
Unavailable revenues		793,167
Fund balance		
Restricted for Hawaii green infrastructure bond		2,079,645
Total fund balance		2,079,645
Total liabilities, deferred inflows of resources, and fund balance	$	9,601,516

See accompanying notes to the financial statements.

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Fiscal Year Ended June 30, 2022

REVENUES	
Green infrastructure fees	$ 13,357,029
Interest and other investment income	4,418
Total revenues	13,361,447
EXPENDITURES	
Ongoing financing costs	
Rating agency fees	50,750
Department legal, consulting and accounting fees	33,050
Service provider accounting and wire fees	29,197
Trustee fees	1,200
Total ongoing financing costs	114,197
Debt service	
Principal	10,462,587
Interest	2,746,879
Total expenditures	13,323,663
NET CHANGE IN FUND BALANCE	37,784
FUND BALANCE AT JULY 1, 2021	2,041,861
FUND BALANCE AT JUNE 30, 2022	$ 2,079,645

See accompanying notes to the financial statements.

NOTE A - FINANCIAL REPORTING ENTITY

The Hawaii Green Infrastructure Bond Fund (Bond Fund) was created by Act 211, Session Laws of Hawaii 2013. It is administered by the State of Hawaii, Department of Business, Economic Development and Tourism (DBEDT). The Bond Fund receives all proceeds of the Green Infrastructure Fees and all other proceeds of the Green Infrastructure Property. Funds are used to pay all principal and interest on bonds and ongoing financing costs of the Hawaii green infrastructure loan program administered by the Hawaii Green Infrastructure Authority.

The financial statements of the Bond Fund are intended to present the financial position and changes in financial position of only that portion of the governmental fund type of the State of Hawaii (State) and DBEDT that are attributable to the transactions of the Bond Fund. They do not purport to, and do not, present fairly the respective financial position of the State or DBEDT as of June 30, 2022, or the respective changes in its financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes comprehensive financial statements for the State annually, which include the Bond Fund's financial activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bond Fund have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used in the preparation of such financial statements:

(1) ***Measurement Focus and Basis of Accounting***

For financial reporting purposes, the Bond Fund is considered a debt service fund that is a governmental fund type. Governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet - governmental fund. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in net financial resources.

The modified accrual basis of accounting is used by the governmental fund. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end).

Measurable means that the amount of the transaction can be determined. Available means that the amount is collected in the current fiscal year or soon enough after fiscal year-end to liquidate liabilities existing at the end of the fiscal year.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures are generally recorded when a liability is incurred. However, debt service expenditures are recognized only when payment is due or in the debt service fund when due within several days after the balance sheet date and the resources for payment have been provided in the fund.

(2) ***Investments*** - Investments are held in a money market fund and are reported at fair value.

(3) ***Fund Balance*** - Fund balance is classified using a hierarchy based on the extent to which DBEDT is bound to follow constraints on how resources can be spent. Classifications include:

Nonspendable - Includes amounts that are (a) not in a spendable form or (b) legally or contractually required to remain intact.

Restricted - Includes amounts restricted to a specific purpose imposed by either (a) external parties (e.g. creditors, grantors, contributors or laws or regulations by other governments) or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes based on constraints imposed by formal action of the State Legislature.

Assigned - Includes amounts that are constrained by management for specific purposes, but are neither restricted nor committed.

Unassigned - This classification includes any negative residual balance when actual expenditures exceed available resources of the fund.

The Bond Fund has only a restricted fund balance.

(4) ***Green Infrastructure Fees*** - Fees are imposed on all electric utility customers of certain electric service companies based on projected collections to ensure the timely payment of principal and interest of the Green Energy Market Securitization Bonds and all related ongoing financing costs. Periodic true-up adjustments made for the differences between projected and actual collections are determined as needed and are reflected in subsequent collections. Fees are recognized as revenue when collected and deposited in a trust account.

(5) ***Debt Service*** - Payment of principal and interest to the bondholders is recognized as an expenditure when due within several days after the balance sheet date, and the resources for payment have been provided in the fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) ***Deferred Inflows of Resources*** - In addition to liabilities, the balance sheet - governmental fund will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Bond Fund has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported on the balance sheet - governmental fund. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

(7) ***Use of Estimates*** - The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - INVESTMENTS

The Bond Fund does not have an investment policy related to interest rate risk and credit risk.

(1) ***Interest Rate Risk*** - As a practice, funds are invested in short-term, high-quality investments. Investments in a money market fund totaled $8,768,654 and the weighted average maturity was less than one year as of June 30, 2022.

(2) ***Credit Risk*** - All investments are held in a money market fund. As of June 30, 2022, the money market fund is rated AAAm by Standard & Poor's.

(3) ***Custodial Credit Risk and Concentration of Credit Risk*** - Because all investments are held in a money market fund, there is no custodial credit risk or concentration of credit risk. All investments, totaling approximately $8.8 million as of June 30, 2022, are held in a money market fund that is measured at the net asset value. The fund pursues a high level of current income consistent with preservation of principal and liquidity. The fund normally invests in cash, U.S. Government Securities and/or repurchase agreements that are collateralized fully. There are no unfunded commitments as of June 30, 2022. The maximum redemption notice is five business days.

NOTE D - DEBT SERVICE RESERVE ACCOUNT

A portion of the fund balance is set aside for a debt service reserve as required by the bond indenture. The reserve amounted to approximately $750,000 as of June 30, 2022.

NOTE E - GREEN INFRASTRUCTURE FEE AND GREEN INFRASTRUCTURE PROPERTY

In November 2014, the State of Hawaii, Department of Business, Economic Development and Tourism issued $150 million in Green Energy Market Securitization Bonds, 2014 Series A (Taxable), hereinafter referred to as "Bonds", as follows:

Tranche	Principal Amount Offered	Expected Weighted Average Life (years)	Scheduled Final Payment Date	Final Maturity Date	No. of Scheduled Semi-Annual Principal Payments	Interest Rate
A-1	$ 50,000,000	3.05	July 1, 2020	July 1, 2022	11	1.467%
A-2	$ 100,000,000	10.21	January 1, 2029	January 1, 2031	18	3.242%

The State designated the Bonds as "Green Bonds" based on the intended use of the proceeds of the Bonds for the financing of environmentally beneficial projects.

The Bonds are special and limited obligations of the State payable from and secured by a pledge of Green Infrastructure Fees and the Green Infrastructure Property and Accounts held under the Indenture. Green Infrastructure Property consists generally of the right to impose and collect, and to obtain periodic true-up adjustments to a nonbypassable fee on all electric service customers of Hawaiian Electric Company, Inc., Hawaii Electric Light Company Inc., and Maui Electric Company, Limited, collectively the Service Providers (the "Green Infrastructure Fee").

The Bonds do not constitute general or moral obligation of the State, nor is a charge upon the general fund of the State and the full faith and credit of the State is pledged for the payment of principal and interest on the Bonds.

The Green Infrastructure Fee is property of the State, and is collected by the Service Providers, as collection agents for the State, and is remitted daily to U.S. Bank National Association (the "Trustee"). The Green Infrastructure Fee is subject to mandatory adjustment, not less often than semi-annually, and more often as authorized to ensure that the estimated amount of Green Infrastructure Fee projected to be collected will be sufficient to pay the Bonds in accordance with their scheduled maturities, together with related ongoing financing costs. There is no cap on the size of the Green Infrastructure Fee per customer, which must be imposed and collected until the Bonds are paid in full.

The State used the proceeds of the bonds, net of costs of issuance and the funding of a debt service reserve subaccount, to fund the Hawaii Green Infrastructure Loan Program, which is administered by the Hawaii Green Infrastructure Authority. The Loan Program serves the environmentally beneficial purpose of financing the purchase and installation of clean or renewable energy systems and energy efficiency projects for Hawaii ratepayers. None of the net proceeds of the Bonds used to fund the Loan Program, the loans, the repayments thereon, or the other assets of the Loan Program will serve as security for the Bonds.

NOTE E - GREEN INFRASTRUCTURE FEE AND GREEN INFRASTRUCTURE PROPERTY (Continued)

The Green Infrastructure Fee for the fiscal year ended June 30, 2022 amounted to approximately $13,357,000.

The Bonds are not subject to optional redemption prior to maturity.

In the event of default, the Trustee or bondholders of a majority in principal amount of bonds then outstanding may declare the unpaid principal balance of the bonds, together with accrued interest thereon, to be immediately due and payable. However, payment of principal upon an acceleration of the bonds will be made only as funds become available in the Collection Account, which balance is comprised of the Green Infrastructure Fee collected that have not been used for debt service payments and related ongoing financing costs. Because the true-up mechanism was not designed to respond to an acceleration of bonds, it is unlikely that aggregate payments to bondholders would be received on an accelerated basis following an acceleration of the bonds.

Debt service requirements to maturity for the Bond Fund are as follows:

Payment Date	Principal	Interest	Total
7/1/2022	$ 5,273,352	$ 1,331,381	$ 6,604,733
1/1/2023	5,358,833	1,245,900	6,604,733
7/1/2023 - 6/30/2024	10,979,675	2,229,791	13,209,466
7/1/2024 - 6/30/2025	11,338,520	1,870,946	13,209,466
7/1/2025 - 6/30/2026	11,709,095	1,500,371	13,209,466
7/1/2026 - 6/30/2027	12,091,780	1,117,686	13,209,466
7/1/2027 - 6/30/2029	25,382,054	1,036,877	26,418,931
Total	$ 82,133,309	$ 10,332,952	$ 92,466,261

SUPPLEMENTARY INFORMATION

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
Fiscal Year Ended June 30, 2022

		Collection Account		
	Total	General Subaccount	Debt Service Reserve Subaccount	Surplus Subaccount
CASH RECEIPTS				
Green infrastructure fees	$ 13,541,131	$ 13,541,131	$ --	$ --
Less: Green infrastructure fee remittance reimbursement	(184,102)	(184,102)	--	--
Net green infrastructure fees	13,357,029	13,357,029	--	--
Interest and other investment income	4,418	3,873	517	28
Deposit from US Bank	72,464	72,464	--	--
Total net cash receipts	13,433,911	13,433,366	517	28
CASH DISBURSEMENTS				
Ongoing financing costs				
Rating agency fees	50,750	50,750	--	--
Department legal, consulting and accounting fees	33,050	33,050	--	--
Service provider accounting and wire fees	29,197	29,197	--	--
Trustee fees	1,200	1,200	--	--
Total ongoing financing costs	114,197	114,197	--	--
Debt service payments	13,209,466	13,209,466	--	--
Total cash disbursements	13,323,663	13,323,663	--	--
Excess of cash receipts over cash disbursements	110,248	109,703	517	28
INVESTMENTS, JULY 1, 2021	8,658,406	7,867,169	750,038	41,199
INVESTMENTS, JUNE 30, 2022	$ 8,768,654	$ 7,976,872	$ 750,555	$ 41,227

State of Hawaii
Department of Business, Economic Development and Tourism
Hawaii Green Infrastructure Bond Fund
SCHEDULE OF RESERVE ACCOUNT BALANCES
June 30, 2022

		Amount
Debt service reserve subaccount balance	$	750,555
Initial bond principal amount	$	150,000,000
Required debt service reserve subaccount percentage size		0.5%
Required debt service reserve subaccount level	$	750,000
Debt service reserve subaccount balance in excess of minimum requirement	$	555

PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Director of the
Department of Business, Economic Development and Tourism
State of Hawaii

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the State of Hawaii, Department of Business, Economic Development and Tourism, Hawaii Green Infrastructure Bond Fund (Bond Fund), which comprise the balance sheet - governmental fund as of June 30, 2022, and the related statement of revenues, expenditures, and changes in fund balance - governmental fund for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated XX, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bond Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bond Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Honolulu, Hawaii
XX, 2022

Hawaii Green
Infrastructure Authority

2022
Annual Report to the Governor and Legislature

Hawaii Green Infrastructure Authority

Department of Business, Economic
Development & Tourism

Pursuant to Act 211, SLH 2013 & Act 107, SLH 2021

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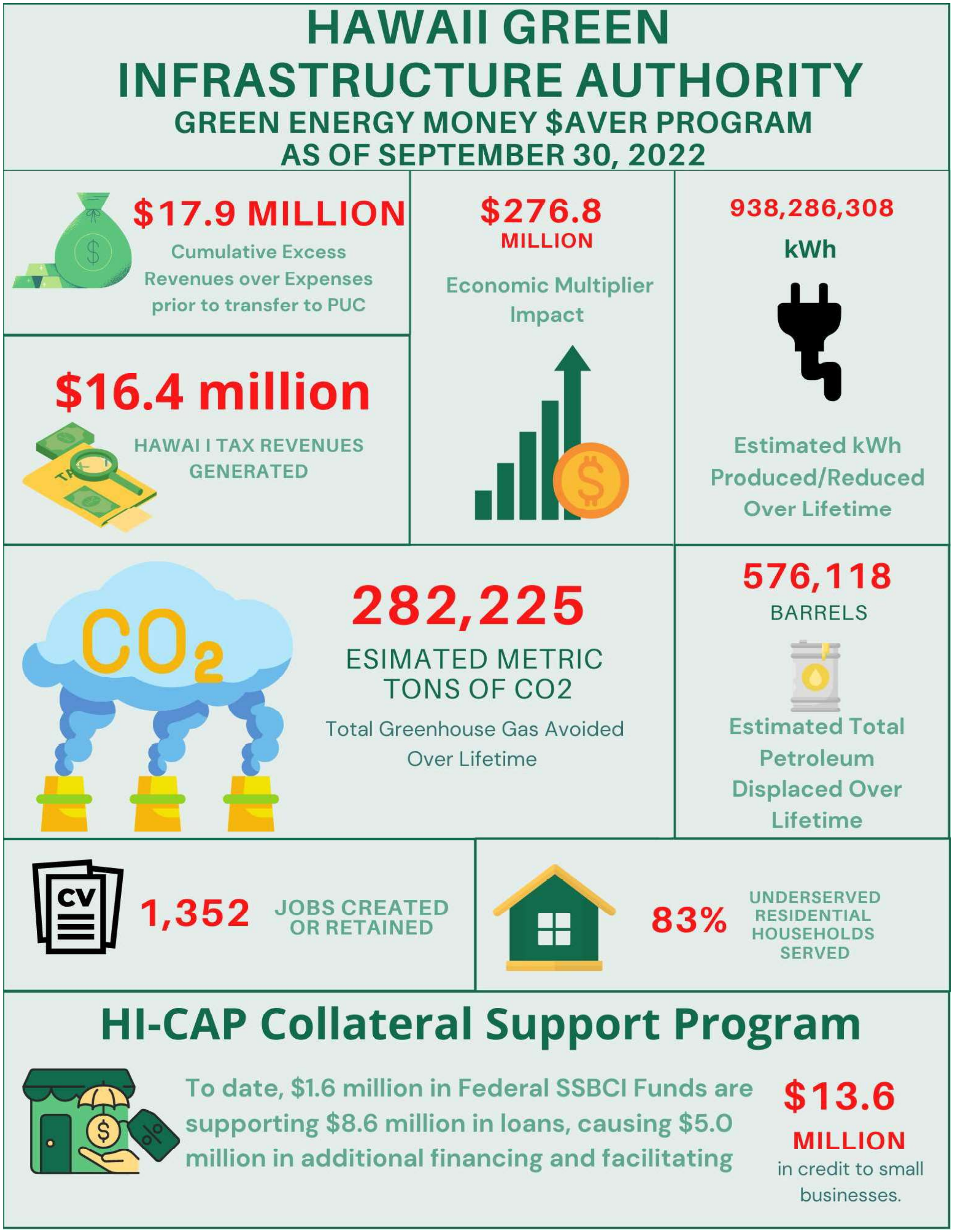
Impacts*



* Impacts reported are since inception. Cumulative excess revenues over expenses are before some $12.2 million in "expenditures" for loan repayments transferred to the Public Utilities Commission's Special Fund.

Reporting Requirements

This document fulfills the statutory requirement to report on the status of the Authority's activities, including approved loan program description and uses; information and data on the implementation of the loan program; and analytical data relating to the deployment of clean energy technology. The Authority respectfully submits this status report outlining the activities further design, develop and deploy GEMS and other capital in 2021 as well as plans for 2022.

Legislative Authorization

On April 30, 2013, the Legislature enacted, and on June 27, 2013, the Governor signed into law, **Act 211 (SLH 2013)**, authorizing the establishment of a green infrastructure financing program, known as GEMS to deploy clean energy infrastructure to contribute towards Hawaii's aggressive pursuit of its statutory 100% clean energy goals by 2045 while helping ratepayers lower their energy costs.

Act 211 established a legal structure that enabled the Department of Business, Economic Development & Tourism ("DBEDT") to issue Green Energy Market Securitization bonds to capitalize the green infrastructure loan fund, leveraging public and private capital, to facilitate opportunities for underserved ratepayers to invest in and save money from green infrastructure investments. The GEMS bonds are not an obligation of the State of Hawaii. Its sole obligor are the ratepayers of the Hawaiian Electric Companies' through a non-by-passable Green Infrastructure Fee on ratepayers' utility bills.

Key objectives of the GEMS program are to:

1. Address financing market barriers to increase the installation of clean energy projects and infrastructure to meet the State's clean energy goals, including the RPS and EEPS;
2. Democratize clean energy by expanding access and affordability of renewable energy and energy efficiency projects for identified underserved markets, while expanding the market generally;
3. Enable more ratepayers to reduce their energy use and energy costs by helping them finance clean energy improvements;
4. Partner with and support existing market entities in the clean energy and financing sector to ensure GEMS can bridge market gaps and facilitate a sustainable and efficient private sector market; and
5. Balance the aforementioned goals and objectives with repayment risk to achieve an appropriate rate of return and build a sustainable financing program.

On April 27, 2021, the Legislature enacted, and on June 28, 2021, the Governor signed into law **Act 107 (SLH 2021)** authorizing the establishment of a Clean Energy and Energy Efficiency Revolving Loan Fund ("CEEERLF") under the administration of the Hawaii Green Infrastructure Authority. Two key components of this Act include but are not limited to providing HGIA, with the approval of the Governor, the authority to borrow funds from Federal, County, private or other funding sources as well as implement and administer loan programs on behalf of other state departments or agencies.

On May 3, 2022, the Legislature enacted, and on June 27, 2022, the Governor signed into law **Act 183 (SLH 2022)** authorizing HGIA to design, implement and administer Hawaii's commercial property assessed financing program for commercial property owners to finance the installation of clean energy, energy efficiency, cesspool remediation, water conservation and resiliency measures via an innovative and risk mitigating financing mechanism pari-passu to property taxes.

Hawaii Public Utilities Commission

To effectuate Act 211, the GEMS financing program required Hawaii Public Utilities Commission ("Commission" or "PUC") approval of its Financing Order and Program Order Applications. The PUC approved the GEMS [Bond] Financing Order on September 4, 2014 and the GEMS [Loan] Program Order on September 30, 2014.

The regulatory Orders approved by the Commission established the general parameters and program processes for GEMS. With feedback and support from several interveners - including but not limited to the Consumer Advocate and the Hawaii Solar Energy Association, the PUC granted GEMS the flexibility to work with the market to provide financing programs to enable more of Hawaii's consumers to invest in and benefit from clean energy.

Pursuant to HRS 269-162, the Financing Order provided regulatory approval for the issuance of low-cost Green Infrastructure Bonds (GEMS Bonds) to capitalize the GEMS Loan Fund. Pursuant to HRS 269-170, the Program Order provided approval for the deployment of funds from the issuance of the GEMS Bonds. Included in the Program Order were general program parameters and specific deployment strategies, outlining a clean energy financing program that was best thought to serve Hawaii's consumers at that time.

On October 26, 2017, the Hawaii Public Utilities Commission issued Order No. 34930 ("Order") to change the priority of uses of GEMS Program Loan Repayments. This Order amended the order of loan repayments received to be applied first towards the replenishment of the Public Benefits Fee before the payment of program administrative costs. This Order resulted in the conversion of a sustainable financing program (Key Objective No. 5 above) to a non-sustainable financing program. As of this report date, the Authority had transferred over $8.2 million to the PUC.

Hawaii Green Infrastructure Authority

The Authority, Hawaii's Green Bank, was constituted in November 2014 to democratize clean energy by making clean energy improvements affordable and accessible to a broader cross-section of Hawaii's ratepayers to advance the State's goal of achieving 100 percent renewable portfolio standard in the electricity sector by 2045.

HGIA's loan fund was capitalized with the net proceeds of a Green Energy Market Securitization ("GEMS") Bond issued in November 2014 and the Authority began accepting loan applications in July 2015.

HGIA is overseen by a five-person board of directors and is administratively attached to the Department of Business, Economic Development & Tourism. The Authority is tasked with administering and governing its financing Programs, ensuring that capital is deployed effectively to achieve program objectives.

In April 2019, along with then Governor Ige, the Hawaii Public Utilities Commission, and the Hawaiian Electric Company, Inc., the Authority announced the official launch of its Green Energy

Money $aver On-Bill Financing Program, with a risk mitigating loan repayment mechanism tied to the utility meter and paid through the Hawaiian Electric Companies' electric utility bill. This game-changing repayment mechanism enabled the Authority to abandon traditional credit underwriting and instead offer a more inclusive, non-traditional financing program that better serve disadvantaged communities and other underserved ratepayers.

With the GEM$ on-bill repayment mechanism, the Authority strengthened its commitment to underserved ratepayers during its August 15, 2019 meeting by limiting the use of all remaining GEMS loan capital to only LMI homeowners and renters, nonprofits, small businesses[1] and multi-family rental projects.

The Authority offers a suite of financing products providing low-cost, long-term, flexible financing to Hawaii's most vulnerable ratepayers, enabling said ratepayers to realize monthly energy cost savings while transitioning to clean energy.

The Authority also offers financing to state departments ("Departments") to lower its energy costs by installing energy efficiency retrofits or by exercising its purchase options in existing solar PV Power Purchase Agreements. At the Department's option, it may utilize this newfound cash flow to finance the installation of electric vehicle ("EV") charging stations or EVs.

HGIA's financing programs fill market gaps, stimulates private investments and leverages innovative tools to mitigate risks and reach new markets.

Lastly, working in concert with the Hawaii Public Utilities Commission ("PUC") and the Hawaiian Electric Company, Inc., HGIA is responsible for the administration and oversight of the $150.0 million Green Energy Market Securitization Bond.

2022 Activities

Expanding Access to Capital

Green Energy Money $aver ("GEM$") On-Bill Financing Program

Even before the White House's Justice40 Initiative brought a heightened awareness of environmental justice nationwide, Hawaii's policymakers already recognized the importance of providing a non-traditional financing option for underserved rate payers locked out of solar with the creation of HGIA and the implementation of the GEM$ Program.

Often touted as one of the best in the green finance industry with unique program innovations, the Authority receives meeting requests on a regular basis from other Countries (e.g., Japan, Moldova, etc.) as well as across the United States (e.g., Alaska, California, Colorado, District of Columbia, North Carolina, Puerto Rico, U.S. Virgin Islands, etc.) from other green banks or financing authorities seeking to learn about GEM$.

During the year, the Authority continued its residential and commercial clean energy financing for underserved ratepayers. Year to date[2], HGIA received 274 residential applications to install solar hot water or solar PV systems, a 5% increase from the previous year, from low and moderate-

[1] Small businesses are defined by the U.S. Small Business Administration's size standards.
[2] 4th quarter 2021 to 3rd quarter 2022.

income homeowners and renters. However, as concluded by the Federal Reserve Bank[3] that the path to recovery appears longer for LMI communities, coupled with the significant increase in electric utility rates (up 36%[4]), HGIA submitted a request in August 2022 seeking approval from the PUC to further increase inclusivity and expand access to capital for our most vulnerable ratepayers by allowing all eligible applicants access to GEM$ financing, to help reduce their energy burden.

Community Solar

Financing community solar projects like Ho'ahu Energy Cooperative Molokai's Community-Based Renewable Energy (CBRE) project is the essence of what the Authority believes policymakers envisioned when they created HGIA.

Having patient, subordinate GEMS funds as part of the capital stack will help the project attract private capital in the form of debt and/or equity. As such, in late 2021, the Authority set aside $7.5 million, subject to PUC approval, for the Hoʻahu CBRE project.

Additionally, having the ability to leverage the on-bill repayment mechanism to service CBRE projects, with or without HGIA loan capital, will be a **game-changer**, opening new markets for underserved ratepayers. The PUC is expected to render a decision in early 2023.

State Small Business Credit Initiative (SSBCI) – HI-CAP Programs

On March 23, 2022, HGIA entered into a Memorandum of Agreement with sister agency, the Hawaii Technology Development Corporation (HTDC), to design, implement and administer the Federally-funded HI-CAP Collateral Support Program, HI-CAP CDFI Loan Pool Program and HI-CAP Loans Program with approximately $41.0 million (66%) of total SSBCI program funds expected by the State.

HI-CAP Collateral Support Program. On July 12, 2022, the Authority launched this credit enhancement program designed to assist eligible small businesses and nonprofit organizations in obtaining financing by providing cash collateral to Participating Lenders to enhance the collateral coverage of its borrowers.

New program to increase credit access for Hawaii's small businesses

Jul 14, 2022, 2:26pm HST Pacific Business News

A new program launched Tuesday to increase credit access for small businesses and nonprofits across Hawaii.

The Hawaii Green Infrastructure Authority, or HGIA, will administer the Hawaii Small Business Capital Program, or HI-CAP, Collateral Support Program. The HI-CAP Collateral Support Program is a credit enhancement program designed to bridge the collateral and/or equity gap facing many small businesses by providing participating lenders with additional collateral to support loans to their customers, which may help them qualify for financing.

IMAGE PROVIDED BY GETTY IMAGES (DAVID JOYNER)

"We look forward to working with banks and credit unions statewide to participate in this program so that collectively, we can help their small business and non-profit customers access credit," Gwen Yamamoto Lau, executive director of the HGIA told PBN.

[3] "Gauging COVID-19's Ongoing Impact on LMI Communities," February 22, 2022, Federal Reserve Bank of St. Louis.
[4] Comparing HECO mid-tier December 2022 Residential rates from December 2021.

HI-CAP CDFI Loan Pool Program. On August 10, 2022, the Authority launched this program designed to provide non-depository Community Development Financial Institutions (CDFI) with low-cost loan capital to re-lend to eligible micro and small businesses in Hawaii.

HI-CAP Loans Program. On August 10, 2022, the Authority also launched the HI-CAP Loans Program designed to provide financing for businesses and organizations spearheading transformative projects which accelerate the State's economic development goals and provide significant impacts to small businesses within our communities.

Commercial Property Assessed Financing

On January 26, 2022, HB2088 Relating to Financing, was introduced as part of the Governor's bill package. The purpose of the bill was to enable property owners to finance qualifying improvements repaid through a voluntary assessment, pari passu to a real property tax. This innovative financing mechanism, which mitigates lender risks, will open new markets for long-term, below market private capital to help the state solve some of its environmental (e.g. cesspool mitigation) and other challenges (e.g., water conservation, hurricane resiliency, flood mitigation, fire suppression systems, etc.), while achieving its clean energy goals. Although the residential program was removed from the bill during the legislative session, Act 183 was signed into law on June 27, 2022, authorizing Commercial Property Assessed Financing in Hawaii.

Hawaii Gov. David Ige signs legislation authorizing C-PACE financing

Aug 16, 2022, 7:10am HST Pacific Business News

Legislation signed recently by Gov. David Ige authorizes funding for commercial property owners through commercial property assessed financing and allows the Hawaii Green Infrastructure Authority to establish program guidelines and administer the soon-to-be available financing program.

From left, front row: Kanani Fu, Meridian Pacific, Ltd.; Yamamoto Lau, HGIA; Rep Lisa Kitagawa; Gov Ige; Rep Nicole Lowen; Dennis Wong, SBDC; and Nicola Hedge, City; back row: Scott Glenn, HSEO; Josh Stanbro, Elemental Excelerator; Billy Pieper, American Savings Bank; Stuart Coleman, WAI; and Matt Pennaz, Kobayashi Group

Better known as Commercial Property Assessed Clean Energy or C-PACE, Hawaii's program provides the City and Counties the option to authorize HGIA to design and administer the financing program on its behalf or enact its own program.

During its August 2, 2022 board meeting, the Authority established a Permitted Interaction Group (PIG) to design Hawaii's Commercial Property Assessed Clean Energy & Resiliency (C-PACER) program. Members of the PIG included two HGIA Board Members, an Executive Director from a State-Administered PACE Program; the Executive Directors of two leading PACE Industry Associations; a County Director of Finance; a local commercial bank; a C-PACE private capital provider; and a commercial bank C-PACE originator.

PACENation, a national nonprofit association for PACE financing, whose members enabled millions of American property owners to increase the efficiency and resilience of their homes and businesses, recognized the Authority with a PACESetter Award for Advocacy in August 2022.

Energy Equity

Moldova - Hawaii Reciprocal Program

Through a U.S. Department of State, American Councils Professional Fellows Program, in coordination with the U.S. Embassy, HGIA Executive Director Gwen Yamamoto Lau traveled to Moldova in May 2022 on an Outbound Project to meet with Moldovan officials, utility executives, energy stakeholders and engineering students on clean energy financing, with a focus on on-bill financing. Formerly Russian occupied, located between Ukraine and Romania and pre-war, dependent on Russian oil and gas, citizens of Moldova are experiencing unprecedented increases in their energy bill.

Yamamoto Lau met with the Ministry of Infrastructure, Assistant to the Prime Minister, Ministry of Finance, Energy Regulators, Executives of the Electric (Termoelectrica) and Gas (MolovaGaz) Utility Companies, Agency for Energy Efficiency, participated in an Energy Conference and did a presentation, which was featured on JumalTV, Moldova's National News, for the Energetics and Electrical Engineering Faculty and Students at the Technical University of Moldova. HGIA continues to assist Green City Lab, a Moldova nonprofit organization created under a United Nations Development program to implement demonstration projects of energy efficiency and sustainable development, in implementing an on-bill repayment mechanism for its electric and gas utilities.

Solarize808

Together with the Rocky Mountain Institute, Hawaii Energy, Hawaiian Electric Company, Inc., City and County of Honolulu's Office of Climate Change and Resiliency and the Hawaii State Energy Office, HGIA has been working with community leaders in the Waianae and Ko'olauloa communities to launch a Solarize808 campaign.

While rooftop solar has the potential to reduce the energy burden in disadvantaged communities, adoption is hindered by systemic barriers, such as lack of solar education and outreach, and financial challenges for lower income and lower credit score borrowers.

Solarize are community purchasing campaigns, where government partners with local community organizations, to reduce the cost of solar while increasing energy education and outreach. Solarize808 Waianae & Ko'olauloa are expected to launch in March 2023.

Federal Funds

USDA Rural Energy Savings Program

In response to the COVID-19 pandemic, in April 2020, the United States Department of Agriculture's (USDA) Rural Utilities Service (RUS) expanded eligible borrowers under its Rural Energy Savings Program (RESP), which previously only provided loans to rural utilities, to include Green Banks nationwide.

In order to submit an application, a change to the Authority's statute was required. On June 28, 2021, Governor Ige signed Act 107 (SLH 2021) into law, which enabled HGIA to submit its application to RUS. Per RUS procedures, the Authority submitted its Letter of Intent to apply for a $20.0 million RESP loan on July 27, 2021.

On September 16, 2021, HGIA was notified that RUS would be willing to consider a RESP loan application from HGIA, which was submitted on December 13, 2021. On March 7, 2022, Governor Ige preliminarily approved the $20.0 million loan, subject to USDA approval, and on May 19, 2022, HGIA became the first Green Bank in the nation to be approved for a United States Department of Agriculture Rural Energy Savings Program loan.

Upon completion of final review of the RESP loan documents, HGIA will request final loan approval from Governor Green in order to access this additional loan capital, to augment the remaining GEMS funds and assist ratepayers in rural communities.

Environmental Protection Agency's Environmental Financial Advisory Board

At the encouragement of the Coalition for Green Capital and with the support of Senator Brian Schatz, Gwen Yamamoto Lau was nominated for the Environmental Protection Agency's (EPA) Environmental Financial Advisory Board (EFAB) in January 2022. Representing Region 9 and together with twenty-nine other members nation-wide, Yamamoto Lau was appointed to serve on EFAB for a three-year term beginning June 21, 2022. EFAB provides advice to the EPA Administrator and the agency's programs and regional offices on innovative ways to lower costs while increasing investments in environmental and public health protection. A priority for the EFAB is to support the agency's investments through the Bipartisan Infrastructure Law to advance progress on key priorities, including uplifting underserved communities, tackling the climate crisis, and protecting public health.

Inflation Reduction Act's Greenhouse Gas Reduction Fund

The Inflation Reduction Act ("IRA") is described by the U.S. Department of Energy as "the single largest investment in climate and energy in American history," enabling America to tackle the climate crisis, advance environmental justice and put the U.S. on the pathway to achieving its climate goals, including a net-zero economy by 2050.

While there are a number of energy related funding opportunities in the IRA, HGIA's objective to democratize clean energy for underserved ratepayers is in alignment with the IRA's Greenhouse Gas Reduction Fund (GHGRF), with a $7.0 billion carve out for State, Municipals and Tribal Nations, to benefit "Disadvantaged Communities" .

While the EPA has not yet released its Notice of Funding Opportunity nor has any guidance regarding these funds focused on greenhouse gas reduction been released, HGIA is planning to apply for additional loan capital under the GHGRF.

Reporting Metrics

The following are Fiscal 2023, year-to-date and "Since Program Inception" metrics.

Energy & Environmental Impacts

Clean Energy Production of Projects Financed	7/1/22 - 9/30/22	Since Program Inception
Installed Capacity (Actual kW)	821	13,602
Total Yr 1 Production (Estimated kWh)	1,174,470	20,671,589
Total Project Production over Lifetime of Installed PV (Projected kWh, including 0.05% degradation)	25,228,683	371,152,803

Electricity Reductions from Energy Efficiency Projects Financed

Total Yr 1 kWh Reduction (Energy Efficiency)	0	38,699,550
Total kWh Reduction Over Lifetime of Installed EE	0	567,133,505

Petroleum Displaced by Clean Energy and Energy Efficiency Projects (1)

Total Petroleum Displaced/Saved over Lifetime (Estimated barrels)	15,495	576,118
Petroleum Displaced based on Yr 1 Clean Energy Generation (Estimated barrels)	721	12,696
Petroleum Displaced Over Lifetime of Installed PV (Estimated barrels)	15,495	227,687
Cumulative Annual Petroleum Saved from Yr 1 Efficiency Projects	0	23,768
Petroleum Saved of Lifetime of Efficiency Projects	0	348,320

(1) Reference unitjuggler.com for conversion metric

Greenhouse Gas Avoided (2)

Total Greenhouse Gas Avoided (2) Over Lifetime (Clean Energy and Energy Efficiency Projects) (Est. metric tons CO_2)	7,592	282,225
Greenhouse Gas Avoided from Clean Energy Yr 1 Production (Est. metric tons CO_2)	353	6,222
Greenhouse Gas Avoided Over Lifetime of Installed PV (Projected metric tons CO_2)	7,592	111,559
Greenhouse Gas Avoided from Yr 1 Energy Efficiency	0	11,646
Greenhouse Gas Avoided over lifetime of Energy Efficiency Project	0	170,666

(2) Reference eia.gov for conversion metrics

Economic Development Impacts

	7/1/22 - 9/30/22	Since Program Inception
GEMS Revenues (Cash Basis)	$ 9,644,971	$ 25,357,217
GEMS Administrative & Program Costs (Cash Basis) (3)	$ 178,528	$ 7,433,455
GEMS Loans Funded	$ 2,231,315	$ 82,662,586
Indirect Economic Impact - Jobs Created/Retained (4)	$ 58	$ 1,352
State of Hawaii Tax Revenues Generated (5)	$ 717,911	$ 16,352,187
Economic Multiplier Impact (6)	$ 13,959,373	$ 276,789,074

(3) Excludes loan repayments transferred to the PUC.
(4) Jobs created or retained is calculated using the State's metric of $88,165/job for 2015; $91,345/job for 2016; $94,633/job for 2017; $98,034/job for 2018; $101,550/job for 2019; $105,185/job for 2020; $92,044/job for 2021 and $98,818/job in 2022.
(5) State taxes generated is calculated as $0.126 per dollar of investment.
(6) Multiplier impact is calculated as $2.11 per dollar of investment.

Market Expansion Impacts

Projects Financed According to Technology Type/Category	7/1/22 - 9/30/22	Since Program Inception
Solar Photovoltaic (7)	37	850
Energy Storage	9	150
Lighting Upgrades (8)	0	965,037
HVAC Upgrades (8)	0	2,325
Mechanical Upgrades	0	1
Controls and Monitoring Devices	37	1,667
Energy/Water Nexus (9)	0	212
Total No. of Projects	83	970,242

(7) Including advanced inverters and smart modules
(8) State Energy Efficiency Projects
(9) Includes solar water heating

Residential Loan Program	7/1/22 - 9/30/22	Since Program Inception
Total Number of PV Loans, Direct	0	198
Total Number of PV Leases, Direct	0	64
Total Number of GEM$ OBOs for PV (Loans)	25	226
Owner Occupied OBOs	25	225
Renter OBOs	0	1
Total Number of GEM$ OBOs for PV (Leases)	1	34
Total Number of GEM$ OBOs for EE (SWH)	0	17
Owner Occupied OBOs	0	17
Renter OBOs	0	0
Total Number of GEM$ OBOs	26	277
Number PV Loans/Leases/OBOs Serving Underserved Market (10)	26	434
Number EE Loans/Leases/OBOs Serving Underserved Market (10)	0	15

% Loans/Leases Serving Underserved Market	100%	83%

(10) See AMI Distribution

Status of Applications (WECC):

No. of Residential PV Applications Received	0	427
No. of Residential PV Applications in Process	0	N/A
No. of Residential PV Applications Declined	0	160
No. of Residential PV Applications Withdrawn/Expired	0	127
No. of Residential PV Loan Docs Accepted - NTP	0	N/A

Status of Applications (Direct):

No. of Residential PV Applications Received	-	155
No. of Residential PV Applications in Process	-	N/A
No. of Residential PV Applications Declined	-	58
No. of Residential PV Applications Withdrawn/Expired	-	37
No. of Residential PV Loan Docs Accepted - NTP	-	N/A

Status of Applications (Leases - all Leases):

No. of Residential PV Applications Received	13	260
No. of Residential PV Applications in Process	48	N/A
No. of Residential PV Applications Declined	0	9
No. of Residential PV Applications Withdrawn/Expired	5	90
No. of Residential PV - Notice to Proceed	13.5	N/A

Status of Applications (GEM$ OBR-PV and EE):

No. of Residential GEM$ Applications Received	51	1188
No. of Residential GEM$ Applications in Process	140	N/A
No. of Residential GEM$ Applications Declined	2	238
No. of Residential GEM$ Applications Withdrawn/Expired	6	433
No. of Residential GEM$ OBO Accepted - NTP	135	N/A

Geographic Location of Financing Products

Oahu	25	453
Maui	0	53
Molokai	0	2
Lanai	0	0
Hawaii	1	31

Profile of Customers Financed:

Number of Customers by Customer FICO Credit Score (11)

700 and above	-	149
675-699	-	50
650-674	-	32
620-649	-	18
600-619	-	9
Below 600	-	2

(11) Excludes on-bill applicants

Number of Customers by Income Distribution (self-reported by customers)		
Under $15,000	1	1
$15,000-$24,999	1	3
$25,000-$34,999	1	6
$35,000-$49,999	5	37
$50,000-$74,999	2	64
$75,000-$99,999	5	115
$100,000 and above	11	313

Number of Customers by Area Median Income (12)		
<30% AMI (Extremely Low Income)	5	14
30% to <50% AMI (Very Low Income)	3	51
50% to <80% AMI (Low Income)	7	134
80% to <140% AMI (Moderate Income)	11	249
>140% AMI	0	91

(12) Area Median Income as provided by the U.S. Department of Housing and Urban Development (HUD)

Commercial Loan Program	**7/1/22 - 9/30/22**	**Since Program Inception**
Total Number of GEMS PV Loans	0	29
Total Number of GEMS EE Loans	0	4
Total Number of GEM$ OBOs, PV	4	17
Owner-User	4	17
Commercial Tenant	0	0
Total Number of GEM$ OBOs, EE	0	0
Owner-User	0	0
Commercial Tenant	0	0
Number of Nonprofits Participating in GEMS	3	24
Number of Small Businesses Participating in GEMS	1	10
Number of Rental Units Supported by GEMS	231	1313
Geographic Location of Loans (13)		
Oahu	3	34
Maui	1	7
Molokai	0	1
Lanai	0	0
Hawaii	0	8

(13) DOE loan benefits 241 public schools statewide (except Kauai)

Number of Small Businesses by Gross Receipts (14)		
Up to $9,999	0	0
$10,000-$24,999	0	0
$25,000-$99,999	0	0
$100,000-$499,999	0	1
$500,000-$999,999	0	2
$1,000,000-$4,999,999	0	2
Above $5,000,000	0	1

Number of Small Businesses by Average Number of Employees (14)		
10 Employees or less	1	1
11-50 Employees	0	0
51-100 Employees	0	0
101-250 Employees	0	0
251-500 Employees	0	0
501-1,000 Employees	0	2
>1,000 Employees	0	0

(14) Depending on the North American Industry Classification System (NAICS), the side determination is based on gross revenues or number of employees

Cost Savings Impacts

Aggregate, Estimated, Gross (15) Electricity Cost Savings ($)	**7/1/22 - 9/30/22**	**Since Program Inception**
from Energy Production and Reduction	$ 9,629,084	$ 340,581,157
from Energy Production (Consumer)	$ 2,978,156	$ 67,015,757
from Energy Production (Commercial)	$ 6,650,928	$ 102,611,174
from Energy Efficiency (Consumer)	$ -	$ 334,295
from Energy Efficiency (Commercial)	$ -	$ 170,619,931
Average, Estimated, Gross (15) Electricity Cost Savings ($)		
from Energy Production (Consumer)	$ 114,544	$ 146,323
from Energy Production (Commercial)	$ 1,662,732	$ 2,230,678
from Energy Efficiency (Consumer)	#DIV/0!	$ 19,664
from Energy Efficiency (Commercial)	#DIV/0!	$ 42,654,983

(15) Gross savings calculation for the life of the system assumes a historical utility rate increase per island

Aggregate, Estimated, Net (16) Electricity Cost Savings ($)		
from Energy Production (Consumer)	$ 2,304,585	$ 40,020,156
from Energy Production (Commercial)	$ 1,996,383	$ 52,612,064
from Energy Efficiency (Consumer)	$ -	$ 178,317
from Energy Efficiency (Commercial)*	$ -	$ 115,544,468
Average, Estimated, Net (16) Electricity Cost Savings ($)		
from Energy Production (Consumer)	$ 88,638	$ 87,380
from Energy Production (Commercial)	$ 499,096	$ 1,143,741
from Energy Efficiency (Consumer)	#DIV/0!	$ 10,489
from Energy Efficiency (Commercial)	#DIV/0!	$ 28,886,117

(16) Net savings calculations include tax credits, assume historical utility rate increase per island and are net of loan payments required

Average System Cost per Watt for All Consumers (PV) ($)	$ 3.44	$ 3.74
Average System Cost per Watt for Underserved Consumers (PV)	$ 3.44	$ 3.73
Average System Size for All Consumers (PV) (kW)	10.7	9.6
Average System Size for Underserved Consumers (PV) (kW)	10.7	9.7

Project Cost per kWh for All Consumers -- Energy Efficiency ($) (17)	$ -	$ 0.17
Average Project Size for All Consumers -- Energy Efficiency (kW)	n/a	n/a
Project Cost per kWh for Underserved Consumers -- Energy Efficiency ($) (17)	$ -	$ 0.17
Average Project Size for Underserved Consumers -- Energy Efficiency (kW)	n/a	n/a

(17) Calculated for all projects regardless of island

Future Outlook

The passage of Act 107 (SLH 2021) enabled HGIA to expand its scope from a singular purpose of lending GEMS loan capital to having the ability to access Federal loan capital and provide credit related services to other state agencies and departments. Act 183 (SLH 2022) will further diversify HGIA's revenue stream through fee income earned under the C-PACER financing program.

Having the ability to retain interest income on loans funded by the USDA RESP loan capital, along with fee income earned from its other financing programs will provide HGIA an opportunity to become the sustainable financing authority the legislature envisioned when it passed HGIA's enabling legislation.

As Hawaii's plan to achieve its 100% clean energy goal relies on 100% of all residential rooftops bearing solar, it is critical, from both an energy equity/justice lens as well as to achieve our state's goal, for Hawaii to facilitate rooftop solar for our underserved ratepayers. While not all are located in disadvantaged communities, there are over 300,000 residential rooftops in Hawaii without solar. With the increasing cost of energy creating undue burden on our underserved ratepayers, and with only $22.0 million in GEMS loan capital left to lend, accessing additional loan capital is becoming increasingly urgent for the Authority.

As a public financing agency, HGIA seeks to leverage public funds with private capital and as said funds are repaid, non-GEMS funds will be recycled, reinvested and re-lent to other underserved ratepayers statewide. With an injection of flexible loan capital, HGIA can help drive down the cost of energy for underserved ratepayers, while reducing greenhouse gas emissions and helping Hawaii advance towards its clean energy goals.

Hawaii Green Infrastructure Authority Board

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